

MAY 9 1929

PERIODICAL ROOM  
GENERAL LIBRARY  
UNIV. OF MICH.

# *The* **MANAGEMENT REVIEW**

**Volume XVIII**

**MAY, 1929**

**Number 5**

## **In This Issue**

**Controlling Indirect Expense, By T. G. GRAHAM.**

### **The Management Index**

**Abstracts and Descriptive Notes of Company Activities Including**

**Financial Management**

**Production Management**

**Office Management**

**Marketing Management**

### **Survey of Books for Executives**

**The Works Council, C. W. GUILLEBAUD.**

**The Consumer Looks at Advertising, PAUL T. CHERINGTON.**

**Training the Retail Clerk to Sell Your Product, RUTH LEIGH.**

**The Challenge of the Aged, ABRAHAM EPSTEIN.**

**The Bunkhouse Man, EDMUND W. BRADWIN.**

**The Construction of Index Numbers, WARREN MILTON PERSONS.**

**and others.**

---

**Copyright, 1929**

**Published Monthly by the**

**AMERICAN MANAGEMENT ASSOCIATION**

**20 Vesey Street**

**New York, N. Y.**

# AMERICAN MANAGEMENT ASSOCIATION

## BOARD OF DIRECTORS

### Chairman

**SAM A. LEWISOHN**, *Vice-President and Treasurer*, Miami Copper Company.

### President

**C. S. CHING**, *Director of Industrial and Public Relations*, United States Rubber Company.

### Vice-President—in charge of Research Program and Publications.

**HARRY B. GILMORE**, *Secretary*, Western Electric Company, Inc.

### Vice-President—in charge of Financial Executives Division

**H. A. FOUNTAIN**, *General Manager and Treasurer*, Bottled Beverages, Inc.

### Vice-President—in charge of Office Executives Division

**HENRY W. COOK**, *Vice-President*, Northwestern National Life Insurance Company.

### Vice-President—in charge of Production Executives Division

**THOMAS R. JONES**, *The Cincinnati Milling Machine Co.*

### Vice-President—in charge of Marketing Executives Division

**GEORGE R. CAIN**, *Advertising Department*, Swift & Company.

### Vice-President; President, Institute of Management;

**H. A. HOPF**, *H. A. Hopf and Company.*

### Vice-Presidents at Large

**C. R. DOOLEY**, *Personnel Manager*, Standard Oil Company of N. Y.

**OSCAR GROTHE**, *Vice-President*, White Sewing Machine Company.

**L. F. MUSIL**, *Director of Finance*, Henry L. Doherty & Company.

### Treasurer

**JOHN C. ORCUTT**, *Vice-President*, Irving Trust Company.

**F. S. BLANCHARD**, *General Merchandise Manager*, Pacific Mills.

**CHARLES H. BROWN, JR.**, *Assistant Comptroller*, National Biscuit Company.

**ARTHUR R. CLAPHAM**, *Comptroller*, Johnson & Johnson.

**HAROLD V. COES**, *Consulting Management Engineer*, Ford, Bacon & Davis, Inc.

**EDWARD DANA**, *General Manager*, Boston Elevated Railway.

**J. B. DEACON**, *Assistant to President*, Tide Water Oil Company.

**HARVEY G. ELLERD**, *Department of Personnel*, Armour and Company.

**DWIGHT T. FARNHAM**, *Manager, Industrial Department*, Peat, Marwick, Mitchell & Co.

**WILLARD E. HOTCHKISS**, *Dean, Graduate School of Business*, Stanford University.

**J. O. MCKINSEY**, *Professor of Business Administration*, University of Chicago.

**FOWLER MANNING**, *President and General Manager*, L. C. Smith & Corona Typewriters, Inc.

**J. H. MOORE**, *Treasurer and Comptroller*, Pabst Corporation.

**ARTHUR T. MOREY**, *General Manager*, Commonwealth Steel Company.

**S. R. RECTANUS**, *American Rolling Mill Company.*

**C. S. REDDING**, *Vice President*, The Leeds & Northrup Company.

**WILLIAM SAMPLE**, *Vice-President*, Ralston Purina Co., Inc.

**EDWARD R. STETTINIUS, JR.**, *General Motors Corporation.*

**F. L. SWEETSER**, *General Manager*, Dutchess Manufacturing Co.

**ARTHUR H. YOUNG**, *Industrial Relations Counselors, Inc.*

### Managing Director and Secretary

**W. J. Donald** .....20 Vesey St., New York, N. Y.

\* \* \*

### Editor

**Edith King Donald**.....20 Vesey St., New York, N. Y.

\* \* \*

Entered as second class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

**Fifty Cents Per Copy**

**Five Dollars Per Year**

# *The* **MANAGEMENT REVIEW**

**May, 1929**

## **Controlling Indirect Expense \***

*By T. G. GRAHAM, First Vice-President,  
The B. F. Goodrich Company*

**WE** ALL recognize, I think, the fact that scientific management is not a scheme, not a method, not a system. I have always looked upon scientific management as a viewpoint and, after all, isn't our major problem that of determining the best way to do the job under consideration?

Needless to say, we all have our problems in controlling indirect costs. My feeling has always been that the best way to attack any problem is to set up an organization chart that represents what you have to do and the tools with which you have to do it.

### **Provision for Developing Men**

We have never made a change of setup where the work was transferred from the direct field to the indirect field without having positive evidence there was a saving involved, but the thing which has dominated my thinking more than the saving involved was that we wanted an organization setup which would help us to develop men rapidly, in a way which would permit them to carry more and more of the major responsibilities.

I have never found a fixed basis for determining values. I mean that in a general way. I don't believe it is possible for any of us to say that we have attained a sense of values today which cannot be improved upon next week, next month, or next year. One of the most difficult problems we have is that of trying to teach everyone associated with us to appreciate the fact that a keen sense of values is what a good business man must have. Unless

\* Presented at luncheon at the A. M. A. Production Executives' Conference held in Pittsburgh, February 28, 1929.

we have a keen sense of values, we will not make the progress we want to make and we are bound to do during the greater part of our time the things which someone else can better do for us.

We have spent a great deal of time at Goodrich in establishing standards for direct and indirect labor. Our practice in compensating factory supervisors is given in my paper<sup>1</sup> presented before the Production Executives' Division last June in Buffalo. At this session I should like to think out loud about the matters we might call our indirect problems of control.

### Controlling Indirect Cost

Last June at the Buffalo luncheon, we discussed at some length the matter of staff functions, which, in our thinking, covers everything from the planning of the job to the recording of the accomplishment, and our experience indicates that it is not so difficult to control the cost of this kind of work. Our problem of controlling indirect cost centers around the work which we call technical and, frankly, we have not found a way to measure the value of a chemist or compounder.

In the Tire Division of our company, our compounders are responsible annually for about 45 million dollars worth of compounding material. I don't know how we are going to establish a relative value in dollars for the cost of compounding in that division where we have only 60 compounds involved to a similar problem in our Mechanical Division, in which we have 800 compounds involved and the total value of compounded materials of approximately nine million dollars. To be sure, we have a like problem in the staff work of these two divisions and, of necessity, the cost of staff work in the Mechanical Division is greater than that in the Tire Division because of the tremendous number of items and products involved, but we can measure in a direct way the amount of work that has to be done by the service departments in the staff group. I think a great deal depends upon the kind of man you have in charge of a department.

These problems never occur to me without my remembering a chat which I had with a man going from Cleveland to Chicago some years ago. I sat across from him at the breakfast table as we were coming into Chicago. It was apparent that he was still carrying a grouch and I let him tell me his story. He had been called to Cleveland as his chief had raised quite a bit of havoc with him because of the appearance of the Chicago plant. I believe he was in the produce business. He told me that he didn't think it was possible to have a clean plant unless he had a good porter. I don't believe it is possible to have a good division, factory or corporation unless you have a keen head in charge of that division. I don't believe it is possible

---

<sup>1</sup>Extra Financial Incentives for Supervisors and Indirect Labor, Production Executives' Series, No. 64.



to have a department which is any stronger than the man at the head of that department; yet, time after time we are trying to grow good men by making them responsible to poor men and I don't believe that it can be done.

### Stimulating New Thinking

I am inclined to believe, after a good many years of experience, the reason we have come back to decentralized responsibility,—by that I mean an organization comprised of Staff, Technical and Production Departments with such consultants, etc., as are necessary,—is because the man at the top hasn't the viewpoint that he ought to have and the only way to get the new thinking is to take those men who are best adapted for the new thinking and make them responsible to some one who has the proper viewpoint.

I want to say just a word about the matter of indirect costs—those costs for which you cannot hold the man who produces the product directly responsible. We have been working with our present type of budgetary control for about three years. We have tried to indicate to the compounding department heads in each of our manufacturing divisions that he should set up an organization which represented the personnel necessary to do the kind of job he would be proud of, and one that in every way would satisfy his superiors. Invariably, he sets up an ideal organization and I think we will all agree there is a lot of difference between an ideal setup and a practical setup. In other words, there is a difference between a building that is an ideal insurance risk and a building which will produce goods economically.

### Eliminating Unnecessary Expense

Last December, when the problem came up for preparing the 1929 budgets and getting them in shape so that they were workable and adaptable to our problem, making profits for our organization, I was confronted with the problem of getting rid of indirect costs that were not justified. In one division, it was easy. The man in charge of the division was adaptable. I could point out to him that he had an unbalanced condition here, there, or somewhere else; that he did not need some of the John Doe's he wished to hire and that, after all, a complete organization did not necessarily mean a complete job. In another division, I had a very different problem. This division was made up of men who had been in our employ for years and the head of the division was a bit reluctant about making changes in the personnel. He brought to me his budget for 1929 for the service work in the staff group; his salary payroll, representing about \$270,000.00. There was little to be accomplished by asking him whether it could be reduced or how many people were involved. I asked him to take back his report and restudy it and, when he had been able to reduce it at least 10 per cent, I would like to go over it again with him. He told me, frankly and definitely,

that I was unfair to him, which I did not question at all, but I did know the reduction had to be made and there was no other way but to do what I had asked him to do, viz., make a 10 per cent reduction. He said he doubted it could be done but he would try. About six weeks later, he came back all smiles. He not only had made a 10 per cent reduction, but a further reduction of approximately 2 per cent. I didn't have to ask how many people he had to eliminate because I had heard of a number who had been transferred to other work or were seeking employment elsewhere. On asking him why he hadn't presented this budget in the first place, he told me he had been sort of putting it off because some of the fellows involved were quite a problem and he didn't want to make the change until he absolutely had to. If we had gone on with his original program, we would have wasted not only approximately \$30,000 in the Service Department in 1929, but kept men capable of handling bigger opportunities from having a chance to progress on a basis which their abilities justified.

### **The Danger of Becoming a Creature of Habit**

My experience, as an executive, is that one cannot become a creature of habit. I am inclined to think it is dangerous for us to become in the habit of doing things by the same method time after time.

Often, I have said, "Pay them all you want—the sky is the limit," but when it comes time to approve a \$500.00 increase for a given man, I would do everything in my power to break the market of my associate and, frankly, I don't see how an executive can attack the problem in any other way.

Some years ago, a change was made in the personnel of the National Bank in my home town and knowing very intimately the man who was responsible for the selection of the new President, I asked him why he had chosen a certain man. His reply was one which has influenced me a great deal for he said, "The man I have named always asks all the questions he has to ask before he makes a loan."

### **Seeking the Best Way**

I believe we have to be eternally asking questions, always attacking the problem from every possible angle and doing it before we approve the recommendations of our associates. I know of no better way to get what we want than to be continually asking questions, always seeking the best way to do the job. There is no panacea for any of our problems. There is no definite and fixed way to control direct and indirect labor costs. There are a number of good ways of operating a planning department, but I believe the head of that department must be continually asking questions about what his associates are doing and determining whether or not they are doing the job in the best way.

# THE MANAGEMENT INDEX

## Abstracts and News Items

### GENERAL MANAGEMENT

#### 18 Points by Which to Check Human Efficiency in Your Plant

1. If you want your employees to turn out more than average production, they should be of more than the general average of intelligence and ability. Are they? Do your plant and organization attract the right kind of workers, and have you an efficient hiring system?

2. Are your workers assigned to the task for which they are most capable, and given full outlet for their abilities? Do you free your best workers from tasks which those of lesser ability can perform?

3. Are your workers systematically taught how best to perform their tasks, or are they "just turned loose" with casual instructions?

4. Are your workers properly supervised? Do your supervisors realize that proper handling of men is just as important as proper handling of machines, and do they know how to handle them?

5. Do your workers have a real incentive, financial or otherwise, to do their best? Are they spurred on by a chance to make more money? by pride in their work? by loyalty? by an understanding of what their job is and of what the company is accomplishing? by the spirit of competition? by interest in having a permanent job? by the hope of advancement or promotion?

6. Do your employees work at a temperature which has been found conducive to human efficiency?

7. What about the condition of the air? Could you yourself do good work in it?

How about the humidity? unnecessary odors?

8. Does the daylighting of your plant give maximum visibility for all operations? Is window space adequate and properly located? Are windows and skylight kept clean? Are walls and ceilings painted the right color for maximum reflection of light without glare?

9. Is daylight supplemented by artificial lights of modern standards? Does your output keep up when daylight begins to fail?

10. Is your plant a pleasant place to work in? Is it light, airy?

11. How about sanitation and cleanliness? Is your plant kept spick and span? Have you modern washrooms, toilets, lockers?

12. Do workers who stand at their work have a fair chance to turn out maximum production? Are work benches and conveyors of proper height? Are your workroom floors properly constructed to minimize dampness and leg weariness?

13. Are seats provided for all workers who could produce more seated? For women workers? Do you provide workers with chairs that will enable them to go through the day without a falling off in production from the fatigue of faulty posture? Are their chairs at the right height, and is work furnished to them at the right height?

14. How about mental working conditions? Does a constructive workmanlike spirit prevail? Is organization friction minimized? Are workmen free from the

fear of accident? discharge? penniless old age?

15. Have you an industrial relations program that will help your men and women employees to give the best there is in them, and to live lives that will make you proud to have them as your workers?

16. Is your production laid out for maximum output with minimum labor? Have you up to date material-handling equipment and other labor-saving devices? Do your workers have all the space they need?

17. Is production so planned that workers can continue through the day without interruptions? Have you, by planning, got rid of fluctuations in the labor force from day to day and from month to month? Are workers' interruptions due to faulty material, to accidents, and to similar causes minimized?

18. Are management's plans properly carried out by adequate instructions for the performance of each job? Does understanding, confidence, and precision prevail in place of blundering or head scratching? *The Industrial Executive*, March, 1929, p. 104.

#### Business Statesmanship

There is today a broader, higher, fairer attitude on the part of a rapidly increasing number of big business leaders toward their every-day business responsibilities. The right of way dealing with either coworker or customer is no longer a matter of mere individual whim. In fact, it is the inescapable requirement of the modern industrial executive. The demand for personal breadth set up by world-wide necessities is fairly sure to be paralleled by an equally insistent call upon the leader for what might be termed mental depth. Closely related to this growing geographical and scientific breadth and depth in multi-unit business is the recent shift from the owner-executive to the present hired manager. He is less likely to try to make money for the company merely by holding on to it, and he is more apt to take action on his cost department's figures. This hired manager also

finds it easier to look without blinking at high wages. Our acceptance of business rather than governmental organizations as stable, reliable and significant institutions is still unimaginable abroad. To make it possible even here a further factor has to be added, that of incorporation, which supplies the highly valuable status of "institution." By Whiting Williams. *The Magazine of Business*, April, 1929, p. 388:4.

#### Cycles of Business Movement Found to be Continuing

From a survey made by Dr. Wesley C. Mitchell and included in the report of the committee on Recent Economic Changes of the President's Unemployment Conference, it seems that business cycles in the U. S., at least in a technical sense, have not been ironed out despite relative stability of business in the past few years. Besides dealing with all the cycles which American business has undergone within the last three quarters of a century the report also shows the "cyclical behaviour" of business in particular lines and aspects and data are given showing the extent to which these industries conform or fail to conform to the general business "cyclical pattern." *U. S. Daily*, April 16, 1929, pp. 1 and 7.

#### I, Too, Want to Stay Unmerged

The president of the Poland Soap Works gives some of his reasons for not considering a merger. One is that he would not be able to execute the other fellow's orders successfully unless they were his own convictions. Another reason is that in attempting to meet the present situation too many independent manufacturers are fighting big business with the ammunition of the large concern by meeting price. They can compete on quality, but not on price. There can be more individuality shown in an independent organization than in a merger. There are very few large concerns where there is an individual who stands out in the

public mind; men like Henry Ford and Chrysler are exceptional.

At the present time, the chief reason given for mergers is that they will result in a lower selling price. Sooner or later this bait will lose its force and then some other selling idea will have to be employed. Selling costs may be increased; buyers are not so meek that they will listen to intensive sales arguments in regard to several articles sold by the same salesman, and any product in a line which is ignored by the salesmen is detrimental to the organization. By Carter D. Poland. *Printers' Ink*, April 11, 1929, p. 92:2.

#### Forecasting and Planning

The General Motors Corporation system of control is described, whereby production, purchase of materials, and the use of capital are coordinated with sales requirements. This forecasting and plan-

ning system constitutes a constructive force of considerable magnitude in the direction of the regularization of employment. By Donaldson Brown. *Survey* April 1, 1929, p. 34:2.

#### Sales Contacts for the Production Executive

The President and General Manager of the L. J. Wing Manufacturing Company tells of the loss of orders through too strict an adherence to a standardized form. A general manager who sometimes accompanies his sales representatives on their calls can obtain a better perspective of his business, and, in spite of a lack of technical knowledge, can judge more intelligently the conflicting views presented by his sales and engineering departments, and can direct the general policy rationally instead of blindly. By A. E. Seelig. *Factory & Industrial Management*, April, 1929, p. 719:3.

## FINANCIAL MANAGEMENT

#### An Association Attempt at Investment Trust Control

It is stated that the day of the individual trust controlling a billion dollars of resources is near at hand. In anticipation of this development, the National Association of Securities Commissioners has drawn up a code of ethics which it is intended to apply on a national scale to all investment trusts. The principal features are these:

1. The securities offered should be in marketable form and negotiable by endorsement.
2. The personnel of the office and management should show a clear record of good business repute.
3. The officers, promoters, or managers should make an investment of their own funds sufficient to assure a personal interest in the proper conduct thereof.
4. Certain essential fundamentals should be present in the

charter which should be of such character as to amount to a covenant with the investors: a. Adequate provision in the charter stating the policy of operation. b. Provision that the capital assets cannot be distributed during the life of the trust through dividends. c. Provision for the establishment of reserves and of surplus out of the current net cash earnings from whatever source. d. Definite statement as to the cost of management and the expense incurred in the raising of capital. e. A clear statement of any privilege accorded the incorporators, officers, or managers. f. Provision for periodic statements of the financial condition of the company. By Alden Anderson. *The Magazine of Business*, April, 1929, p. 409:3.

#### Stock Without Par Value

The common stock of a corporation, regardless of whether or not it has a par value, represents unrestricted ownership in



the business after all prior obligations have been met. Since many corporations have bonds and preferred stock outstanding with claims to assets and earnings preceding the claims of the common stockholders, the portion of assets remaining may be spoken of as residual equity. This is ordinarily represented on the books of the company by the common stock and surplus accounts. Each holder of the common stock is entitled to residual assets and earnings in proportion to the number of shares held, and consequently part value is of no significance in this important respect. This proportion is represented by a fraction having as numerator the number of shares held and as a denominator the number of shares outstanding.

The value of the corporation's residual equity changes with every business transaction resulting in a profit or loss. The true book value of the common stock fluctuates in proportion. The fact that the common shares have a par value, therefore, has no effect upon the true market value which in theory is fundamentally dependent upon book value and earning power.

The advantage of stock without par value is that every prospective purchaser in order to learn the true value of the stock must direct his attention to the value of the assets representing the equity. No-par stock may, therefore, be regarded as an important step in finance. *Bond Briefs*, March 12, 1929, p. 1:2.

#### **Nation's Bankers Facing Bitter Controversy Over Growth of Chain Banking**

The number of chain banking systems now operating in the United States is conjectural, since their existence does not necessarily become a matter of public knowledge unless they are openly announced by the managing authorities, as in the case of the Northwest Bancorporation, a recently organized holding company already in control of thirteen banks in an interstate field.

Indeed, in some cases, intentional secrecy has been maintained concerning the existence of some very effective, though informal, chain systems now in operation. The opposition to chain banking does not as yet show any promise of staying its progress. The most optimistic advocates of chain banking systems prophesy that they will virtually supersede the independent unit banking system in weak banking areas, as in the bank failure zone in the Northwest. The chain system also appears in favor among certain bankers in several of those states in which branch banking is prohibited. Some of the former opponents of branch banking are weakening since they feel that branch banking on the whole is a lesser evil than the oncoming chain banking system with its looser structure and its immunity from public supervision. From many points of view, therefore, the chain banking movement promises to present banking with another full-sized controversy. *The Annalist*, March 8, 1929, p. 467:2.

#### **The Depreciation Account**

The General Manager of the National Machine Tool Builders' Association says that business men need something more than they have been getting in the way of accounting service. They need something better to guide their policy as to replacement to make sure that they have not omitted a very essential element of depreciation in their cost sheets, that they have charged on these cost sheets the amount that they must collect from customers if their plant is to be replaced. By Ernest F. Du Brul. *American Machinist*, April 18, 1929, p. 619:4.

#### **Uses of Differential Costs**

Having surveyed the economic theory of differential costs as outlined by Professor J. M. Clark and having shown how it alters previous economic concepts of value, the writer gives some practical applications of the theory. From time to time calculations should be made as to what would be the ef-



fect on costs of adding a thousand tons per month, or some other quantity, to the aggregate output, that is, whether such additional output would increase or decrease the cost of each unit. The regular accumulation of costs of goods produced, by lot, batch or job, will not disclose the facts about differential costs, if a standard or uniform burden rate is applied, as is common in such operations. It is necessary to examine the actual items of expense directly, perhaps with the aid of a budget, if the amounts and behavior of differential costs are to be known. Another aspect of the matter arises when a company is manufacturing a product which is on a declining market and the difference in costs must be computed upon constantly reducing quantities. The marketing of increased or decreased output is still another consideration of importance. B. T. H. Sanders. *The Accounting Review*, April, 1929, p. 9:7.

#### Financial and Industrial Investigations

When a survey is made of a company to find why it is not succeeding, or why it is not growing as rapidly as the management feels that it should, a most careful study must first be made of the industry within which the business operates to see if it is on the wane or on the increase. Secondly, the status of the particular company within the industry must be determined, whether it be dominant or obscure. Other factors must enter into a complete analysis. Much of the necessary analysis is based upon an examination of the accounts, and the conclusions arrived at may be so greatly dependent upon the accuracy of the accounting data used, that in most cases an audit of the business over a period of years is an essential part of the whole work. For this reason it has been customary to term a study of this kind a "Financial and Industrial Investigation."

The author believes that such a survey is merely an extension of the analytical function of accounting and that the outcome of our present elements of analysis will be broader visioned accountants

and accounting work which naturally considers all phases of business—the true function of accounting as distinguished from auditing. By Arthur Andersen. *The Accounting Review*, April, 1929, p. 16:7.

#### Depreciation, or Replacement Reserve?

To charge depreciation on the basis of purchase price and set up no reserves for replacements is a dangerous policy, for when equipment becomes obsolete or worn-out it must then be replaced from current profits. The sound practice is as follows:

An amount which in a given number of years will provide a fund equal to the amount required to replace the equipment of the process should be charged each month into the expenses of operating each individual process. The purchase price should be disregarded. The replacement value, instead, should always be used as the basis of the charge since the purpose is not to get back the present investment, but to insure perpetuation of the business by providing for replacement. As the charges are made into operation cost, an amount equal to the charges should be taken from receipts and either set aside in an interest-earning bank account or invested in interest-bearing securities which can be quickly converted into cash when needed. The amount of the replacement fund should at all times equal the total of the charges for replacement reserve, less the total of the amounts withdrawn for actual replacements. This fund should never be available for dividends, and only in a real emergency should any part of the fund be used, in which case a company note should be placed with the remaining fund on which interest should be paid as though the loan had been obtained from a bank. *The Denham Costfinder*, Number 33, p. 7:3.

#### Bank Mergers, Business Need

The creation of powerful banking institutions with more comprehensive service and credit facilities is becoming increasingly necessary as a result of rapidly expanding business requirements. This is the

motive back of the numerous mergers and absorptions that have taken place in the New York banking field in the past few years.

The question of economy and the extension of local branches by the larger institutions have been influences operating to keep down the number of banks. There are only eleven more independent banks, six more national banks, eight more trust companies, and actually fewer state banks in existence in New York City than there were ten years ago, while resources of national banks have increased 69.4%, of state banks 68.2%, and of trust companies 124.1% during this same period.

A recent tendency has been toward the abandonment of the national banking system and the substitution of state charters instead in an effort to avoid restrictive conditions. In most cases when a national bank and a state institution, particularly a trust company, agree to consolidate, the former throws in its lot with the latter.

"But the real test of merger", as the Irving Trust Company has declared, "does not lie primarily in solving problems of law, finance, or of theoretical organization. Rather it lies in eliminating duplicating functions and reshaping business units to produce greater economies, larger profits, and better service to the public." *Wall Street Journal*, April 16, 1929.

### Stock Dividend Question

After presenting a series of arguments to uphold his contention, the author arrives at the conclusion that a stock dividend cannot be income to the shareholder, assuming any reasonable meaning (economic or legal) of the word income, and that the Senate resolution of December 22, 1926 is wholly mistaken in both the reasons it assigns for future legislation upon the matter of stock dividends, namely, that corporations have declared stock dividends in order to protect stockholders from the payment of income taxes, and that by declaring stock dividends, corporations have acquired competing plants in this way avoiding the

provisions of the anti-trust law. Stock dividends, the author maintains, have no utility in enabling shareholders to evade income taxation, and they add nothing whatsoever to the power of a corporation to acquire "competing" or any other plants. By A. C. Whitaker. *The American Economic Review*, March, 1929, p. 20:23.

### Plenty of Gold in the Federal Reserve System

The Federal Reserve banks have a margin of superiority in reserves over the great Central Banks of Europe so substantial as to make groundless any fears based upon the inadequacy of the gold supply. The allegation of danger to the credit supply does not seem quite ingenuous. The margin for expansion is still very great. If the rate of growth of credit and currency released during the past year were used as a scale, our present surplus of gold would last until Gabriel sounded his horn. By George Clarke Cox and Joseph Stag Lawrence. *Barron's*, April 15, 1929, p. 3:2.

### Everybody's Business

The merger movement in the banking world is becoming almost as conspicuous as the merger movement in manufacturing and in wholesaling and retailing. One of the important reasons for bank mergers has been an opportunity to combine complementary services of separate banking institutions in the same community in order to place the combined banking institutions in a position to serve all types of financial needs and to make it comparatively independent of the call for commercial banking services alone. This trend has gone so far that as one banker declared forcefully, "There is no longer any such thing as commercial banking *per se*, at least in the large centers."

Business executives very generally accept the point of view that the methods and experience of another line of business have meaning to them, whatever their line of activity. An increasing number of banks are applying the internal management meth-

ods which may be found in public utilities, in life insurance companies, in department stores, and in manufacturing companies, such as analysis of office jobs, the rating of office employees, the classification of office jobs, the setting of salary standards for different types of jobs and the measurement of output of office employees and salary revisions based on the records of output.

It is becoming a gradually accepted principle that banks must take a constructive interest in the methods and activities of

their clients. In rendering this type of service, the bank must organize for service, obtain and analyze the facts, and finally suggest and stimulate action based on facts. The great majority of banks perform such services primarily through their loaning officers but an increasing number maintain an industrial department, some even going so far as to install a budget system and to make suggestions regarding marketing methods or even factory methods. By W. J. Donald. *American Bankers Association Journal*, April, 1929, p. 1026:3.

## OFFICE MANAGEMENT

### Space: Location, Equipment, Arrangement

#### Standardization of Desks

Advantages of standardizing desks are:

1. Study is given and emphasis is placed on the utility aspects of the desk. This usually results in improvements.
2. The purchasing problem is simplified.
3. Less furniture stock need be carried on hand.
4. The general appearance of the office is improved.
5. Furniture can be arranged more eco-

nomically as to floor space within a given area.

6. To a certain extent, standardized parts may be developed, thereby reducing repair cost and stock on hand.

There are many possible improvements in the design of desks from the point of view of the work to be done at them and attention to this could profitably be given by large consumers, especially when planning a move to new quarters. By Orrin G. Sherman. *N. A. O. M. Bulletin*, Feb. 1929, p. 7:3.

### Organization: Job Analysis, Employment, Pay, Tests

#### Simplifying Employee Salary Administration

A brief description of the installation of job classification and salary standardization in a nameless bank. The benefits resulting from the plan are: (1) it has removed confused conditions with respect to relations of pay to work; (2) it has insured the same pay for the same work; (3) it carries uniformity throughout the organization regardless of departmental lines; (4) it has made possible the increase in pay of individuals within proper limits for increased efficiency, but eliminates advancement for seniority, where such advancement would be out of reason because not based

on a real change in duties or position; (5) it has furnished a practical basis for promotion; (6) it insures higher compensation for those selected for higher positions because of superior merit; (7) it helps the salary committee in determining the amounts of the annual appropriations, and assists the department managers in the preparation of budgets, as well as otherwise, with a simplified nomenclature for all jobs throughout the organization.

And lastly, in order to put such a system into operation, the following fundamentals should be observed: (1) the employment has to be standardized; (2) the jobs must be correctly classified into grades

and classes, with uniform salaries, with appropriate minimum and maximum rates; there should be no defined lines of promotion, based upon duties and responsibilities, and (3) provisions for disability and superannuation, to take care of employees who

have got so far and can get no further in point of usefulness in the bank and are paid more than they are worth for the sentimental length of service reason. By Dirk P. DeYoung. *The Office Economist*, April, 1929, p. 3:3.

### **Administration: Regulations, Supplies, Communications**

#### **Let's Have Harmony Between Office and Shop**

Various ways of coordinating and improving relations between office and shop are noted. Joint meetings, and trips of office workers through the plant can be made effective. Sometimes office men have been purposely put through factory departments before being assigned to a desk job.

In some plants suggestions from the workers are encouraged, in one case to the extent of there being certain hours when any workman who has a new idea may go to the general manager's office without previous appointment. An adequate explanation of the purpose and value of reports will facilitate their preparation by foremen. By J. K. Novins. *The Office Economist*, March, 1929, p. 3:3.

### **Training and Education: Schools, Libraries, Employee Publications**

#### **Training Office Workers in Leadership**

Skill in leadership can be learned by apprentice-executives. Every good executive should be a trainer of his subordinates in better methods of working and supervising. Personal leadership consists largely of various manifestations of forcefulness and

kindliness invariably combined, as in the reprimand, or in giving orders, or in training new employees. The best method is training on the job through personal conference, pointing out mistakes and indicating where improvement is needed. By Dr. David R. Craig. *N. A. O. M. Bulletin*, February, 1929, p. 4:3.

### **Benefit Systems and Incentives: Pensions, Profit Sharing, Suggestions, Vacations, Stock Ownership**

#### **Wage Incentive Plans for Office Employees**

This report by a Special Committee of the Illinois Cost Manufacturer's Association gives an outline of the method of installing a bonus plan in an office. Departments which especially lend themselves to this form of compensation are: disbursing, credit, cashier, sales distribution, accounts receivable ledgers, claims, payroll, time keeping, and stenographic and phonographic. For departments that cannot be measured on a unit basis the committee suggests that a budget plan be adopted, and a bonus distributed out of the difference between estimated and actual costs

of operating. The committee wishes to emphasize the importance of establishing some sort of incentive plan in offices and it believes that all kinds of office work may be brought under the plans suggested or some modification thereof as may be devised by any individual concern. *N. A. O. M. Bulletin*, February, 1929, p. 10:2.

#### **The Credit Unions of New England Telephone Company Employees**

The establishment of the original unit of the present credit union system was wholly the result of employee initiative. During ten years of operation of these credit unions, members have used credit to

the total of \$9,000,000. A table showing the percentage distribution of loans is given. Much really good personnel work has been done by credit union men. Their services to members have been not only real banking service and advice beyond the simple personal loan, but have included difficult investigations into family and social conditions that have tied in closely with the work of the Employees' Benefit Committee. The experience of the New England Telephone Company with credit unions has

been generally to the advantage of everyone concerned. Their operation has practically abolished the loan shark problem. They have contributed to the extensive participations in the company stock purchase plan. The company has profited in the improvement of morale that results from relieving employees from financial worries, which is the primary purpose of all the related thrift activities sponsored by the companies of the Bell System. *N. I. C. B. Service Letter*, April 5, 1929, p. 1:3.

### Records: Forms, Charts, Cards, Files, Statistics

#### The Thirteen Month Calendar

Among the Connecticut firms which have adopted the thirteen month calendar and whose experiences are given are the Fuller Brush Company, the Western Clock Company, the Crocker-McElwain Company and the Chemical Paper Manufacturing Company. By Seth L. Bush. *Connecticut Industry*, March, 1929, p. 8:4.

Amory. *The Office Economist*, April, 1929, p. 10:2.

#### Classifying the Special Library

This is the second in a series on Organizing and Maintaining an Individual Business Library. The Special Library depends for its best working use upon the thorough and logical classification of its material. Careful indexing and arrangement on the shelves will reduce to a minimum its depreciation, upkeep and care time and cost factors. By R. Amory. *The Office Economist*, March, 1929, p. 7:2.

#### Indexing and Arranging the Small Special Library

This is the third in a series of articles on the special Library which can be made such a useful feature in business. By R.

## PRODUCTION MANAGEMENT

### Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration, Duration of Work

#### State-Wide Economic Congress Called to Consider Unemployment

A state-wide economic congress will be held soon to check the definite falling off of industry in the state. This conference, which was called by James W. Gerard, will be attended by manufacturers and business men, bankers, university presidents and professors and heads of various chambers of commerce and agricultural organizations. There are several things to be inquired into: for instance, the powers of large corporations are being increased, and small businesses are being forced to the

wall. There is a great increase in the use of machinery, with the result that many persons are being thrown out of work, and as people are not going to stop using machinery the conference will seek a remedy for the resulting unemployment. *New York Herald*, April 1, 1929.

#### Can Budget and Cost-of-Living Studies Be Used As Aids in Determining a Differential Wage?

Are wages in some sections of the country lower than in other sections because standards of living are lower, or are stand-



ards of living lower because wages are lower? The author believes that, for all practical purposes of wage policy, change in income is the conditioning factor in changes in standard of living. Change the income, and the amount of money spent per family varies accordingly. The expenditures of 32 cities in 1918-19 (latest Government figures) were correlated with the incomes received per family; and an almost one-to-one correspondence was found. Cities that showed high family expenditures revealed high incomes, and vice-versa. Furthermore, when the amounts of expenditure per family at different economic levels in these cities were compared, the same thing was true, namely, the families that received a greater income spent more. This clearly points to the conclusion that wages are the determining factors in this problem. If the government were to choose a differential wage policy largely because employers customarily pay lower wages in some localities than in others on the ground of differences of living standards, it would be "placing the horse before the cart." For practical purposes, changes in wages make for changes in standards of living, not the reverse. By Asher Achinstein. *Journal of the American Statistical Association*, Mar., 1929, p. 28:12.

#### Unemployment and the Ways Out

The April 1, number of the *Survey* is devoted to various phases of the problem of unemployment and some suggestions for its alleviation. Besides several considerations of the American situation from as many points of view, commentaries by three first hand observers give Britain's experience; an International Comparison; and conditions in Germany. Abstracts of some of the articles follow.—Ed.

#### Unemployment, 1929

In contrast to unemployment which accompanied industrial depression we now have unemployment and prosperity. Those who are working, earn more, but there are fewer of them. A surplus of labor more or less permanently unemployed is being

developed, consisting of the less efficient, less adaptable and more unemployable whom the community must support through taxes or through private charity because they can find no place in industry. Why not an obsolescence charge for labor as well as for machinery? A number of foresighted employers have established unemployment funds out of profits laid by for rainy days for labor, as they lay by a surplus out of which dividends may be paid in bad years. Several unions have forced such unemployment funds on their industries. Should not the burden of maintaining and retraining displaced labor, until it can be reabsorbed, be borne by industry as a whole rather than by individual workers? By William M. Leiserson. *Survey*, April 1, 1929, p. 9:2.

#### Stabilized Employment in 7 Companies

How formerly seasonal production was regulated in the Hills Brothers Company (Dates), Endicott-Johnson Corporation (Shoes), Columbia Conserving Company (Canning), Dennison Manufacturing Company (Paper), Procter & Gamble Company (Soap), S. C. Johnson & Son (Floor Wax), and Knox Hat Company. *Survey*, April 1, 1929, p. 41:8.

#### A Problem in Economic Hygiene

Unemployment may be traceable to a temporary and superficial situation like the conditions created by the change in the Ford model last fall, to the deep-lying, recurrent fevers of cyclical disturbances, to healthy national "growing pains"—such as the recent improvement in American industrial processes—or to an acute situation due to a fundamental change in national economy such as has taken place in post-war England and Austria. At one place and time it may be the price of progress, at another the sign of decay. The "causes" are not always clear. We can never be sure whether a longshoreman's being out of work is due merely to a failure of a single industry to regularize its casual work, to the introduction of some mechanical



loading device, to a business depression, or to a long-time change in the course of trade.

The proper time to direct thought and action upon the various situations that create unemployment is not when we are facing a crisis but rather during "normal" periods. As a result, what we think and do may go beyond superficial relief to fundamental causes. By Sam A. Lewisohn. *Survey*, April 1, 1929, p. 28.

### The Last Weber Wagon

The story of the necessary closing of the Weber Wagon Works of the International Harvester Company and how the economic reasons for the shut down were explained to employees through the works council. All employees were given an opportunity to work in some other Harvester operation. Service records provided data which facilitated the transfer of the long-service men

to plants nearest their homes. The last Weber Wagon was presented to Mr. McCormick, Sr., as a memento of the good work, good faith and loyalty of the Weber Works organization. The move of these men from Weber Works to some other plant was made an important function of the regular manufacturing executive organization and was closely followed by the Industrial Relations Department. By Cyrus McCormick, Jr. *Survey*, April 1, 1929, p. 31:3.

### A Balance Wheel of Gold

Ways in which the Federal Reserve System has helped to restrain the leaps and plunges of the business cycle. The Reserve System has been a powerful force toward business stability and its incident stability of employment. By W. Randolph Burgess. *Survey*, April 1, 1929, p. 23:3.

## Employment: Classification, Selection, Tests, Turnover

### A Basis for Reducing Labor Turnover

The cost of training a new employee ranges from \$50 to \$200. Reduction of labor turnover is, therefore, one method to lower plant operating costs. But before a successful program can be developed, standard definitions and a uniform system of calculation are needed. The writer describes what Rochester, N. Y. industries have been doing. By A. J. Zimmerman. *American Machinist*, April 18, 1929, p. 611:4.

### Auctioned Off at Forty?

The day has arrived when the ability to hold a job or to secure employment, decides one's "youthfulness" or one's "age." Two organizations are said to have been formed in the interest of the unemployed middle-aged, which do not represent a movement for the promotion of incompetency but are seeking to establish a new standard of fitness for service based upon experience and capability rather than upon arbitrary age figures. There are those who argue that on the whole benefits accrue to American industry by the employ-

ment of those who are forty or more. Some of these advantages are: 1. Potential consumer's market is thereby stabilized, or perhaps enlarged. 2. The physical well-being of most persons around forty is today superior to what it was years ago. 3. Turnover may be reduced by the employment of men over forty. 4. When he has reached forty, the worker should have acquired skill and experience, valuable if not essential to industry. 5. The man of forty is not too old to learn nor too old to adjust himself to new demands and a new setting. The Editor. *Trained Men*, Spring, 1929, p. 38:3.

### Employment Agency Abuses

The New York State Industrial Survey Commission states that persons needing jobs are preyed upon just at the time they most need help. The commission recommends that each agency be required to post a \$3,000 surety bond and that a license fee of \$100 be required; that licenses be granted only after a public hearing; and that no agent be allowed to charge

fees in excess of a schedule filed by him when applying for a license. Present laws have failed to terminate the contract labor or padrone system. The findings of the League showed that some agencies were charging exorbitant fees for the jobs secured, and that in some instances they retained initial registration fees whether or not they rendered any services. Some of the agencies pay their placement clerks on a salary and commission basis, and so in their desire to increase their

earnings these clerks are apt to place as many applicants as they can without due consideration of the applicant's qualifications or the employer's demands. Of the 45 business concerns interviewed, 26 said they did not use the private employment agencies to obtain help because the agencies made no effort to place the right man on the right job, did not have the right type of applicants to send, and charged larger fees than the applicants could afford to pay. *Information Service*, April 6, 1929.

### **Employee Service: Hygiene, Recreation, Lunch Rooms, Stores, Safety**

#### **Employee Medical Service**

A plan for employee medical service was thought to be desirable from an economic as well as a social standpoint in the shops of the National Metal Trades Association, and a survey was therefore made among the member shops. It is believed that employee medical service is invaluable in plants where accidents or absenteeism is high or where group insurance policies or benefit plans are in operation. The physical examination by a physician of all new employees, and sometimes of old employees, should be included as a part of any program of employee medical service. Periodic examinations of major executives are especially important, as is also the careful selection of medical personnel. In some large and medium sized plants the physician can fill the position of personnel manager. Small plants should organize themselves in groups, so that each may enjoy the services of a physician and nurse, even though it be on a part time basis. By Committee on Industrial Relations. *National Metal Trades Association*. 30 pages.

#### **Fatigue, Costly to Industry, Has Simple Remedies**

Owing to fatigue the workers' efficiency drops at 10 in the forenoon and 3 in the afternoon. The remedy for this is a 15 minute rest period in fresh air, with facilities for light exercise. Monotony dimin-

ishes the worker's capacity. Whenever the worker avoids nervousness, he has reduced his muscular and nerve fatigue. The condition of fatigue, while it may not reduce the number of pieces being delivered from the machine, may reduce the number of perfect pieces delivered. Executives who have had the greatest success with providing seats for workers have done so by carefully explaining to the workers that the seat gave a change of position and was expected to do that. It has been explained to them that constantly being confined to either a sitting or standing position would make their work lives tedious, while a change of position at intervals would make for greater comfort. By R. J. Waldo. *Canadian Machinery*, April 4, 1929, p. 33:2.

#### **Employees Organize Mead Mill Club**

A new organization of workmen from the various departments of the Mead Pulp & Paper Company has recently been formed, known as the Mead Mill Club. The underlying purpose of the new club is to assist in arousing a greater and more united interest in all plant activities through the more frequent bringing together of employees from all departments in a social way. Only workers, other than those in a supervisory capacity, are eligible for membership. *Mead Co-operation*, April, 1929, p. 23:2.

### **Benefit Systems and Incentives: *Group Insurance, Pensions, Vacations, Profit-Sharing, Wage Plans, Suggestions, Stock Ownership***

#### **Trade Union Insurance—Promises and Realities**

Three unions in the United States today—Amalgamated Clothing Workers, United Cloth Cap and Hat Makers' and the Ladies' Garment Industry of Cleveland—have established and maintained an unemployment-insurance fund for which the employer assumes some responsibility. The unemployment-insurance reserve fund is comparatively small. During periods of prosperity the employer contributes a percentage of his payroll. But when there is no payroll there is no contribution forthcoming, and very shortly the fund is exhausted, payments are reduced and finally curtailed entirely until the next season. Unemployment insurance cannot eliminate unemployment. It can alleviate it, but not effectively unless there is developed a nation-wide scheme for unemployment insurance covering every industry. By Theresa Wolfson. *Survey*, April 1, 1929, p. 55:3.

#### **Some Observations on Unemployment Insurance**

In the present state of the unemployment problem in the United States, the most pressing need is for a highly co-ordinated chain of employment exchanges that would be in the position to make maximum use of all opportunities for employment. The time required to pass from one job to another might be appreciably reduced. Since the clogging of the labor market has universal effects, the smooth working of the market is the direct concern of all American industry. Expertly staffed, the employment agencies should be among the most productive of our public investments.

The probabilities are that unemployment insurance is moving strongly in the direction of insurance by industry. Even if insurance were made compulsory, the State would not assume direct administration, but merely supervision. The management of the scheme would fall upon the machinery

set up within each industry. There would be, therefore, increasing pressure toward regularization.

In this country business activity has been largely the product of the rise of new industries and the remaking of old. Unemployment insurance would be a method of equitably distributing through the whole of the population some of the costs of this industrial progress. To distribute these costs without retarding the progress of industry, will be the task of those who write the unemployment insurance acts of this country. By Leo Wolman. *The American Economic Review*, Supplement, March, 1929, p. 23:7.

#### **American Experiments With Unemployment Insurance**

A study of this subject now being completed by the Industrial Relations Counselors, Inc., includes the experience of all American schemes, both company plans and joint agreements between employers and trade unions. The company-plan managements are practically unanimous in their desire to see these experiments extended to other establishments. If they were beginning again after this experience, they would not hesitate to introduce unemployment compensation in their plants. A majority of the firms with company schemes favor some form of unemployment-insurance legislation. In their view, it cannot be left to the slow process of voluntary acceptance by industry, and a majority of the trade-union experimenters in the field agree. By Bryce M. Stewart. *Survey*, April 1, 1929, p. 57:4.

#### **Piece-Work in Our Storeroom**

The application of gang piece-work payment in the storerooms of the Hawthorne Works of the Western Electric Company. The use of piece rates in the storerooms has resulted in mutual benefits to the company

and its employees. Among the advantages obtained are: increased earnings on the part of the operators; decreased cost of operating storerooms due to increase in efficiency of operators; standardization of material handling practices; reduction in supervision; reduction in labor turnover.

This successful experiment proves that, with careful study, it is possible to establish an incentive plan for all classes of work where a unit of measure can be established, provided the volume of the work is sufficient to cover the cost of the investigations. By G. A. Pennock. *Factory and Industrial Management*, March, 1929, p. 477:2.

#### Old Age Pensions in America

The state has limited itself to the field of relief. The corporations are granting pensions for long service. The history of all such employer schemes in this country and abroad shows that starting with the theory of relief, there is a transition to the principle of insurance with employee

contributions on a savings basis. Trade unions, on the other hand, are divided into two groups, those in which the pension is charity and those in which it is a reward for service coupled with a measure of saving. It seems clear that pensions as a method of poor relief are only meeting a minor part of the total need, and therefore that either a relatively large number of persons are not being cared for at all, or else unorganized effort is bearing the greater part of the burden. For the most part, pension plans have been financed on the "pay as you go" theory. The unsatisfactory experience of private funds which have financed service pensions on a relief basis, gives rise to doubts as to the ability of voluntary charity to continue to carry as large a share of responsibility as in the past. Probably the three types of pensions will develop side by side for some time to come,—state, private employer, and unions. By Murray W. Latimer. *The American Labor Legislation Review*, March, 1929, p. 55:12.

### Training and Education: Schools, Libraries, Apprenticeship, Employer Publications, Bulletin Boards

#### How Should the Foreman Handle Discipline?

Good discipline is fair to the worker because it enables him to get the best results from his efforts. Weak discipline is unfair to the good worker as well as to the worker who needs correction. Lack of self-discipline constantly discloses itself in the failure to discipline others effectively.

The characteristics of a good disciplinarian are:

1. He is one who has a thorough knowledge of his job.
2. He has ability to handle all types of employees.
3. He is just and reasonable under all conditions.
4. He sets a good example to his men.
5. He is one who can look at both

sides of a question and is fair and impartial.

6. He has ability to understand men and can see the human side of all questions.

7. He has a proper attitude toward his working force, being courteous, natural in manner, not overbearing, and not officious.

8. He is one with a pleasing personality.

9. He is charitable, making due allowance for the weaknesses of human nature.

10. He is adaptable to the requirements of different cases, not trying to apply rigid rules to all men alike.

11. He has a sense of humor.

12. He is not vindictive, holding no malice.

13. He plays no favorites, treating all men alike.

14. He has strength of character enough to render final decisions.

15. He has ability to appraise statements

made to him, which requires knowledge of the men and the circumstances in any case requiring discipline.

16. He is able to get and hold the good will of his men.

17. He is able to create and maintain interest in the work, in other words, he is a good leader. By H. H. Norris. *Canadian Machinery and Manufacturing News*, March 21, 1929, p. 50.

#### **Foreman Training Course Started at Edison Co.**

Among the newer groups starting the regular foreman training course under the Extension Division of Rutgers University is the Edison Storage Battery Company of the Thomas A. Edison Industries, with a membership of thirty foremen.

Another foreman group recently started is that of the W. & J. Sloane Manufacturing Company, manufacturers of linoleum floor covering. Thirty-six foremen are meeting regularly in the company office of

the plant, making the fifth group of foremen from a floor covering concern to adopt the foreman training course. *University Extension Record*, March, 1929.

#### **Apprentice System of Lynn Plant, G. E. Co.**

The supervisor of apprentices of the Lynn plant of the General Electric Company describes their system from which there are 1070 graduates, 550 of whom are now with the company. Of this number 2 are managers, 5 superintendents, 22 engineers, 20 foremen, 33 assistant foremen, 9 sub-foremen, 10 in the time study and cost department and 40 are salesmen. There are 40 of the graduates teaching in trade schools or in colleges, and a large percentage are holding excellent executive and engineering positions in nearly every state in the Union and its possessions and in several of the South American republics. By Charles K. Tripp. *Mechanical Engineering*, April, 1929, p. 285:2.

#### **Shop Organization: Planning, Methods, Job Analysis, Standardization, Waste**

##### **Your New Machines Are Obsolete When Better Ones Are Built**

The only true measure of a machine's ability to produce economically is the newest and best machine on the market. In modern competition, the maximum production he can obtain per machine-hour from the machines he has is a vital matter to the industrial executive. One method suggested is that an estimate be made on the cost of the proposed repairs and then the question be put, "If this machine were offered for sale by a second-hand dealer, would we purchase it at the value now on our books and then make the repairs necessary?" Often this will show that it is not economical to make additional repairs.

The automobile industry is a notable example of mechanical efficiency brought about by the introduction of improved machines as soon as they were proven to

produce cheaper. The manufacturers will install a new machine which will show a saving of 40 per cent a year compared with the present equipment.

It is not safe today to let a machine wear out. Nor is it safe to finance on the basis of the expected wearing-out life of the machine. *Brick and Clay Record*, March 26, 1929, p. 466:5.

##### **To Cut Costs, Organize!**

A definite individual or group must assume responsibility for cutting costs. Sometimes the foremen are responsible, sometimes the works manager, or superintendents stimulate cost cutting, sometimes a methods department performs this among other duties. The Eaton Axle and Spring Company has an inventory committee whose job is to facilitate inventory turnover. This committee works under a bonus plan. Oc-



casionaly the sales department assists in cost reduction. Instances are quoted of enlisting the workers' cooperation in cutting costs. *The Industrial Executive*, March, 1929, p. 78:3.

#### Acres of Dishes

The Treasurer and General Manager of the Homer Laughlin China Company describes the mass production methods applied in their pottery. Costs have been cut chiefly through mechanical handling and the use of tunnel kilns. By W. E. Wells. *Factory and Industrial Management*, April, 1929, p. 697:4.

#### Halving the Working Force and Stopping Production Leaks Through Simplified Production Control

The production manager of Bell & Howell Co. gives details of the adaptation of an electro-mechanical dispatching device to the particular needs of a manufacturing concern, and the results obtained from its use. By K. R. Wood. *Mechanical Engineering*, April, 1929, p. 283:2.

#### Centralized Records for Efficient Tool Control

The third instalment of this article gives the completion of method of issuing the order, more of the forms and the sequence in which they are filled out—the practice of the DeLaval Separator Company.

A fourth and concluding instalment gives detailed operation of tool cribs, methods of repairing, maintaining, replacing and reclaiming tools, and net results of the entire plan. By N. J. Bowne and N. Holve. *American Machinist*, March 28, p. 511:4, and April 4, 1929, p. 551:4.

#### Can We Ever Reduce Waste Entirely?

There are five general classes of waste: waste time; waste material; waste machinery and equipment; waste power, heat, light, and water; waste space. Under these various headings the many causes of waste are enumerated which foremen can reduce or eliminate by proper management. By Glenn Gardiner. *The Foremen's Magazine*, April, 1929, p. 13:2.

## MARKETING MANAGEMENT

#### Six Basic Marketing Errors

There are some executives who endeavor to save in production, and then gamble those savings away in untried sales stunts. This waste comes from six fundamental errors in marketing: forced sales volume; lack of concentration on profitable items, through profitable channels, in profitable territories; failure to know competition; failure to co-ordinate sales and advertising; failure to make a straight line projection of the sales and advertising attack; failure to know the market.

A master plan graph of scientific marketing is shown, and each of the six marketing errors is illustrated by examples in various companies. The most frequent reason for their existence was found to be the lack of experience in, or understanding

of, modern marketing by controlling executives, and the most flagrant of the mistakes is forced sales volume. By Gerald E. Stedman. *Printers' Ink Monthly*, April, 1929, p. 35:4.

#### Studies of Cost of Selling Urged to Reduce Waste

"Until a distributor knows the cost of handling each commodity and of serving each individual customer, no headway can be made toward eliminating the wastes incident to mass distribution," says Dr. Frank M. Surface of the Department of Commerce. Many distributors are obsessed with the idea of volume of sales, often spreading their efforts over a wide area at a loss of profit in some of the distant markets. Every service performed in the



selling of an article must be paid for, but some operations are unnecessary.

The Department of Commerce is making an effort to discover some of these wastes and will assist in devising ways by which they can be eliminated. A bulletin has recently been issued by the Department giving an analysis of some of the costs of a representative wholesale grocer. There is also in process a very interesting study of the retail grocery business in Louisville. In the electrical jobbing industry it has become apparent that two classes of orders are unprofitable: small orders, and large orders, chiefly from construction companies. The most important part of this work is the development of methods of cost analysis which can eventually be simplified to the point where any distributor can apply them to his own store and find out for himself what it is costing him to handle individual commodities, serve individual customers and handle individual orders. *U. S. Daily*, March 25, 1929, pp. 1, 2 and 8.

#### **Pet Superstitions the Distribution Surveys May Explode**

Any factor in the present scheme of distribution is justified so long as it contributes to the speed of the current of merchandise from the manufacturer to the consumer, and does that job at the lowest possible cost. But the control and management of distribution processes will never keep pace with the control and management of production until we adapt to the former those principles which have revolutionized production methods and made them the basis for our new economic system. What modern management is doing for production, it can do for distribution through scientific analysis of operations, cost studies, elimination of waste motion, scheduling and automatic and continuous control. The problem of how to meet competition is of less importance than the greater problem of what society should do about it, as we are paying too high a price for it. Competition, up to a certain point, stimulates

distribution, develops new wants and the means of filling them, cuts cost and increases efficiency, but beyond that point it does just the opposite. By O. H. Cheney. *Sales Management and Advertisers' Weekly*, March 2, 1929, p. 489:3.

#### **Building Distribution When Dealers Cannot Service the Product**

More and more do products for the home require the occasional visit of an expert service man. The Timken-Detroit Company is laying out its methods for getting distribution for its oil burner by appointing retailers in cities and towns close to those in which there are fully functioning factory branches. These dealers will have the benefit of constant cooperation from the experienced sales, installation and service personnel of the nearest Timken branch. Through the medium of these factory branches the company can learn how a product of this type should be sold, installed and serviced. There are of course disadvantages to the branch system, some of which are: The requirements of invested capital; inability to market in small cities; difficulty in securing competent personnel; the impossibility of rapid growth and the difficulty of economical administration. By Haldeman Finnie. *Printers' Ink*, February 28, 1929, p. 49:4.

#### **Measurement and Control of Selling and Distribution Costs**

After a detailed analysis of selling expenses and the bases upon which selling cost should be pro-rated to product, illustrated by numerous tables and graphs, the following points are enumerated in recapitulation as aids in the control of selling and distribution expense:

1. The sales department should be divided into logical operating divisions, each with its expenses classified in a list of fundamental charges. Measures of economical operation must be determined by study and comparison of the figures.

2. These operating expenses must be allocated with reasonable care and accuracy to products handled. The value basis should not be used solely, as a large proportion of the expenses are dependent upon the number of orders and items handled which in turn bear no definite relation to value.

3. The accounts should be analyzed to determine how the annual volume of sales is divided among them. Considerable selling expense may be saved by selective selling, that is, by confining sales visits to customers whose purchases are large enough to make the effort profitable.

4. Through the knowledge gained by study of the orders and accounts, contributing causes for the great number of small, unprofitable orders may be found and possibly some remedial measures applied.

5. Study should be made of the territorial sales and distribution of products.

6. The influence of volume on costs, selling expense and profits should be determined, in order that policies affecting selling expenditures and profits may be more carefully and intelligently determined. By T. M. McNiece, *N. A. C. A. Bulletin*, March 1, 1929, Section I, p. 823:27.

#### **We Can't Set One Price for All**

The president of the Carpet Manufacturers of America emphasizes the necessity for analyzing the costs of distribution and indicates where the yardstick may be applied. Pricing involves a selection of customers according to functions performed by them. The quantity discount or the special price on a quantity order, should reflect only its actual saving to the seller at the point in the distributive movement occupied by the goods at the time the proposition is made.

The only economic method of pricing is according to the cost factors of the distributive functions performed. Manufacturers must learn that their success depends on a scientific method of pricing that will reasonably assure the orderly dis-

tribution of their merchandise. There is no other way out of the fog that now envelops our entire distributive system. By Irving S. Paull. *Nation's Business*, April, 1929, p. 44:2.

#### **Modern Selling Turns a Hobby into a Nation-Wide Business**

Martin L. Davey, president and general manager of the Davey Tree Expert Company has adopted modern merchandising methods for the sale of a service. Advertising leads provide prospects. Others are obtained from direct-mail solicitation. Of the present sales force, about 70 per cent have arrived at selling from within the organization. More than half the leaders in production in the sales organization are men who developed within the organization. The other half were experienced salesmen before they entered the Davey sales organization. Mr. Davey prefers men trained in his organization because a knowledge of tree surgery is a convincing factor in selling this service.

The greatest difficulty in overcoming sales resistance has been a lack of knowledge on the part of the public of trees' requirements in general. By Manly Wright Conant. *Sales Management*, March 30, 1929, p. 708:2.

#### **How a Company Can Use Automatic Merchandising**

A new development is working out in automatic vending. Instead of serving merely as a means of getting small units into the customer's hands with the least expense, it is calling upon industries which never expected to be affected. At the present time there are three main channels of distribution open to the manufacturer, one of which is the familiar vending of standardized packaged goods. The second method is that of making a product as the result of combining raw materials at the point of sale, and the third is that of creating a new product from the raw materials at hand.

Automatic vending in itself is going to be only a part of the business which it will influence. The services and needs which it will create will require industries of their own. There will arise nation-wide servicing organizations, new kinds of stores, new methods of architecture, and new legal aspects will have to be overcome. Chain stores will be operated within chain stores. New techniques of advertising will be originated and new civic regulations to quiet the din of automatic hawking. By Rexford Daniels. *Printers' Ink Monthly*, April, 1929, p. 38:2.

#### Is the Stylist Out of Place in the Retail Furniture Field?

A plaintive wail from a furniture manufacturer says that these women stylists may know apparel, but only one in the country is qualified to say what will sell in furniture, and that seasoned buyers are being hampered by individual tastes of stylists. *Retail Ledger*, April, 1929, p. 6.

#### Mortality of Grocery and Drug Stores

A recently completed survey by the Bureau of Business and Social Research of the University of Buffalo shows that 25 per cent of new drug stores opened in that city go out of business during the first year. Out of the new grocery stores opened, more than 60 per cent fail to weather their first business year. Of 164 independent drug stores in operation in 1918 only 82 were still in business in 1927. *Retail Ledger*, April, 1929, p. 3.

#### Why Our New Distribution Plan Begins with the Retailer

A common practice is to force goods into the channel of distribution. Many manufacturers are trying to sell as large a volume as possible, regardless of what becomes of their goods after they are sold, and as a result our distributive channels have become demoralized. A general reduction in price would tend to increase demand, but manufacturers have not made these reductions, as a rule. Intelligent merchan-

dising necessitates the selling of only that volume which can be made to flow uninterruptedly and profitably through the distributive channels and which will not overburden the final markets. Therefore, the plan of the Electric Hose and Rubber Company calls for close co-operation with the independent wholesaler, and its principal effort will be to accomplish sales results for the retailer. It will combine the lines of non-competing manufacturers whose goods are sold by hardware dealers. The purpose of the plan is to give the independent hardware dealer every advantage now enjoyed by the chain and mail-order retail stores. Both wholesalers and retailers who co-operate with the company will be given a franchise to operate according to the plan. As told to James True by C. D. Garretson. *Sales Management*, March 23, 1929, p. 663:2.

#### Distribution Always Persistently Difficult Problem

The big job before the government is to work with business in considering the many vitally important problems of distribution efficiency and in attacking them with the modern weapons of scientific analysis so that maximum benefits may accrue to the consumer as well as to the producer and the distributor. There are certain phases of market research in which the government can properly take part and can supplement the work of private agencies in such a way as to make their efforts more effective. Perhaps one of the most fruitful fields for eliminating waste in distribution lies in the curtailment of overlapping efficiency research efforts. By Dr. Julius Klein. *Power Transmission*, April, 1929, p. 34:2.

#### Fairchild Summarizes 1929 Sales Problems in Aircraft Industry

Airplane makers propose to build during 1929 two ships for every pilot now licensed and ten planes for every nine now in use. The average airplane dealer is a pilot who

operates a flying school, frequently with himself as the only instructor. He has little capital and makes only a fair living out of all his activities unless he is above the average in business ability, although his psychic income should be reckoned in. Nine out of ten dealers report "planes on hand" for sale, but doubtless this means in most cases not more than one new plane at a time; few of them can finance a full line of sample planes.

To meet the expansion which cannot be

delayed longer in the manufacturing end, the distributor and dealer organization throughout the trade must be set on a sound business basis. The manufacturer's sales departments must supply bookkeeping and budget systems, merchandising plans, dealer helps, consumer advertising. Pilot salesmen must be taught how to sell. Financial backing must be arranged for distributors and dealers. By Sherman Mills Fairchild. *Sales Management*, April 6, 1929, p. 11:2.

### **Sales Promotion: Letters, House Organs, Advertising**

#### **Sales Promotion—Physician and Surgeon to Modern Business**

The first problem confronting a sales promotion manager is that of ascertaining what is wrong with the sales of the product or any of the products in a diversified line. Then the diagnostician of business enters in the form of research and market analysis. When the diagnosis has been made, the remedy is applied, under the heading of "planning and development." Under this come suggestions covering advertising policy, selling policy, changes in the product, and salesmen's policies. Because of its peculiar place in business, sales promotion, to be effective, must be applied from the sidelines. The third and last major activity of sales promotion is a broad and alert attention to plugging up the little leaks, mistakes, oversights and negligences, all affecting the sales of the product by the company.

A chart is shown explaining the functions of a sales promotion department. By Thomas O'Malley. *Printers' Ink Monthly*, April, 1929, p. 91:2.

#### **Airplane Operating Costs and Uses in Sales Work**

An outstanding fact in an investigation as to the use of airplanes for sales purposes is that their use has passed the "stunt" stage and has successfully adjusted itself to the more serious work and profitable business of being an adjunct to sales

work. Many factors have entered into this decided trend to air travel, among which are the advancement in the construction of planes, which offers greater safety in flying; the large increase in capable pilots; more and better airports; well marked air routes; and more reasonably priced airships. *Report No. 290. The Dartnell Corporation. 27 pages.*

#### **The Advertiser's Audience**

What is the significance of present-day advertising? Are we all supremely silly or is only advertising silly? The only elements in it which continue to prevail are the primitive instincts of human nature, the age-old attitude of the buyer toward the seller and vice-versa. The buyer is still looking for his dollar's worth and the seller, if he has a modicum of good sense, is still trying to give him that dollar's worth. Broadly speaking, there are only two schools of advertising thought and expression. One of these schools proceeds upon the comfortable half-truth that all men are fools. The other amends this slightly and says that all men may be fools, but do not like to be fooled. Out of both schools emerge great businesses and great fortunes.

The real answer probably is that we are all silly but that we all have our underlying sanities. Advertising is mistaking the surface silliness for the solid substance. By Theodore F. MacManus. *Printers' Ink*, March 28, 1929, p. 3:5.

### Do Bankers Weigh Distribution Systems When Granting Credit?

The problem of analyzing a borrower's distribution machinery is the most difficult of all bank problems. The first requisite is a clear mental distinction between goodwill and distribution efficiency. In considering the method by which distribution machinery may be analyzed as a credit factor, the banker should lay less and less importance on the distinction between selling

and advertising which makes him treat the first as a more legitimate expense than the second. Advertising is not a capital asset, but it is an essential of nearly every modern distribution system and the banker who does not distinguish between credit risks where distribution systems are of unequal efficiency, is in danger of making some bad commitments and of overlooking some good bets. By G. Prather Knapp. *Printers' Ink*, March 7, 1929, p. 6:3.

### Benefit Systems and Incentives: Bonus Plans, Vacations

#### Another Stock Ownership Plan for Dealers

A number of manufacturers are inducing their dealers to become stockholders. One of these is the May Oil Burner Corporation, whose plan is designed to appeal with special force to the most successful dealer in every town. In order to be eligible for participation in the plan, a May dealer must have completed his sales quota for the calendar year immediately preceding his date of subscription for stock; or he

must have made his quota for the preceding period of six months. Every dealer who qualifies for participation in the plan is entitled to subscribe for one share of May common stock for each May Oil Burner sold by him. Should he exceed his sales quota and sell, for example, 150 units on his quota of 100, he has the privilege of subscribing to an additional 50 shares of stock on the date of the opening of the next succeeding three-year class. By Roland Cole. *Printers' Ink*, April 11, 1929, p. 137:2.

## Books Received

**Yields of Bonds and Stocks.** By David C. Johnson, Caleb Stone, Milton C. Cross, Edward A. Kircher. Prentice-Hall, New York, 1923. \$5.00.

**Proposals for Changes in the Federal Internal Revenue System.** National Industrial Conference Board, Inc., N. Y., 1927. 42 pages. 75¢.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, of *The Management Review*, published monthly at New York, N. Y., for April 1, 1929.  
State of New York, } ss:  
County of New York, }

Before me, a Notary Public in and for the state and county aforesaid, personally appeared Edith King Donald, who having been duly sworn according to law, deposes and says that she is the Editor of *The Management Review* and that the following is, to the best of her knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation, etc., of the aforesaid publication, for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reserve of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher—American Management Association, 20 Vesey Street, New York City.

Editor—Edith King Donald, 20 Vesey Street, New York City.

Managing Editor—None.

Business Manager—W. J. Donald, 20 Vesey Street, New York City.

2. That the owner is: (If the publication is owned by an individual his name and address, or if owned by more than one individual the name and address of each, should be given below; if the publication is owned by a corporation the name of the corporation and the names and addresses of the stockholders owning or holding one per cent or more of the total amount of stock should be given.)

American Management Association, 20 Vesey Street, New York City.

C. S. Ching, President, 1790 Broadway, New York, N. Y.

John C. Orcutt, Treasurer, Woolworth Building, New York, N. Y.

W. J. Donald, Secretary, 20 Vesey Street, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding one per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear



upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association or corporation has any

interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication, sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is required from daily publications only.

EDITH KING DONALD,  
Editor.

Sworn to and subscribed before me this 20th day of March, 1929.

(Seal) HELEN B. STEINIGER.  
(My commission expires March 30, 1929.)

## Survey of Books for Executives

**The Works Council.** By C. W. Guillebaud. Cambridge University Press, London, England, 1928. 305 pages.

In the United States employees representation and union management co-operation have been set up by voluntary agreements between employers and their own employees; in England the Whitley councils were established upon the recommendation of a Parliamentary commission and were intended to function for whole industries through elaborate machinery under government supervision; in Germany works councils were made mandatory by a clause in the constitution of the Reich, backed by a ponderous statute in which minute details of operation were prescribed.

Mr. Guillebaud's book is the result of a painstaking study of the German system. The author, a fellow of St. John's College, Cambridge, spent a portion of each year between 1919 and 1926 in Germany making first-hand investigations of the operations of works councils. His narrative records the changing phases of employee-management relationships down to about the middle of 1926.

A constitutional provision establishing works councils in all except the smallest industries grew out of the social and economic chaos following the World War. It was followed by the act of February 4, 1920, in which definite regulations for the administration of the new system were laid down. This law required the election of works councils in all establishments

having more than twenty employees. The councils are not joint bodies attended by representatives of workmen and management, but are composed of employees alone. Salaried employees have their own committees but their representatives join with those of the wage earners for the consideration of questions affecting the employees as a whole. In addition to the works council there is in each establishment a works assembly, consisting of the whole body of employees.

The works council is supposed to cooperate with the employer in promoting efficiency, introducing new labor methods, and promoting peace between the working force and the management. Rules of work are to be negotiated between the employer and the council. The employee representatives have no authority to interfere with the executive functions of management, but through their right of appeal to the labor courts they can exert powerful pressure in any matters affecting the employees. Moreover, the council is entitled to elect members of the control boards of companies which have such boards and these members are given full voting rights. The law also contains sweeping provisions for the furnishing of business information to the employees.

Attempts to enforce all these regulations appear in many cases to have settled down to a battle of wits between the employer and the works council. In the years of business activity immediately following the



adoption of the new constitution, demand for labor was keen and the councils were able to function actively and aggressively. These conditions soon were reversed, however, and Mr. Guillebaud points out, on the authority of government factory inspectors, that after the stabilization of the currency the works councils lost prestige and importance, and that "the employers had completely recovered the upper hand in their relations with the employees and the works councils which to some extent they had lost during the years of inflation and artificial prosperity."

This advantage to the employers has not yet been overthrown. In particular, the right of the councils to elect members of boards of control has proved illusive. "The writer has often been told by German employers that there was no difficulty in dealing with the works councillors at board meetings; all that was necessary was to give them a fat cigar and they were quite content and took no interest in the proceedings." In numerous companies presence of employees on control boards has meant simply that important questions were decided by sub-committees.

Mr. Guillebaud believes, moreover, that in some cases more or less subtle forms of corruption have been employed by executives in dealing with council members. "One opportunity for this is given by the expenses claim, sent in periodically to the employer; for the latter may allow it to be understood that he will not scrutinize too closely the individual items on the claim so long as the council is behaving itself—from his point of view. Or again, the following case has occurred: the chairman of the council (and as a rule it is the chairman who is the most important person to win over to the side of the employer) goes into the employer's room for an interview on some matter. The employer says: 'My dear Mr. X, your clothes are very shabby; a person in an important position like yours should be better dressed. Order yourself a new suit of clothes and send the bill in to me.' The quid pro quo

is not expressed, but is certainly understood.

"In a case which came to the writer's knowledge, in the early days of the works councils, the council of an important factory in the suburbs of Berlin applied to the employer for the refund of money spent on tram fares to and from the factory. The employer professed to be surprised at learning that the works council adopted such a humble and dilatory method of going to work and offered instead to place motor-cars at the disposal of its members for this purpose. On the first day, when they arrived in state, the employees all turned out to gape and to admire. On the second day there were murmurs of dissatisfaction, and on the third day the council were stoned. The employer rejoiced, knowing that henceforward the influence of that particular council was destroyed irretrievably."

Interesting sections of Mr. Guillebaud's book are given up to the relations between the works council movement and trade unionism. At the outset there was a struggle for control of the councils between the regular unions and the more radical elements, with the employers playing somewhat the role of the proverbial innocent bystander. The outcome of this contest for some time was doubtful but victory finally rested with the trade unions. "The works councils constitute a new thrusting forward of the line of assault on the strongholds of capitalism. The gain is modest, but it has been seized hold of tenaciously by the trade unions, which have converted the councils into their own outposts."

As may be gathered from what already has been said, the picture painted in Mr. Guillebaud's book scarcely would encourage either employers or employees in America to adopt the German system of works councils in preference to the American variety. The author believes, however, that some accomplishment has been made. "However imperfect the administration of the act may be in practice, it remains true

that tens of thousands of employees, by serving on the works councils, are being brought each year into touch with the wider aspects of industry and are given the opportunity of realizing something of the work of management." This apparently has not led to any notable results in the shape of constructive cooperation. "That the works councils, taken as a whole, have signally failed to show either the capacity, or, for the most part, the desire to co-operate with the employer in increasing the efficiency and productivity of industry, is universally admitted and not least by their own spokesmen."

Mr. Guillebaud's book may be read with profit by every American student of industrial relations—if for no other reason than that he may become more contented with conditions here at home.

E. S. COWDICK.

#### **The Consumer Looks at Advertising.**

By Paul T. Cherington. Harper & Bros., New York, 1928. 196 pages. \$2.50.

"The Consumer Looks at Advertising," by Paul Cherington, is really an answer to the book which created such a stir some time ago, entitled "Your Money's Worth."

Cherington undertakes to define modern advertising and draws quite a marked contrast in the present day copy compared to that of 1900.

Probably no one is better equipped than Cherington to conduct a defense because of his unusual success in market research, although this book by no means gives to the public a fair estimate of the amount of this knowledge.

As a book to read in conjunction with "Your Money's Worth" many fallacies will be uncovered and the interested reader will find that facts concerning advertising spoil much theorizing.

Half of the book is given over to un-advertised banking, un-advertised law and un-advertised medicine. It is a strong argument for the use of advertising in all three of these professions.

The book is by no means exhaustive—is very readable and makes the reader hope that Mr. Cherington will eventually write the book he is capable of writing, giving the public the benefit of his wonderful ability in and results from business research.

Cherington really answers his own question in a very few words:

"I even wonder at times whether there is any economic justification for any advertising which cannot meet one simple test—Is it designed to make the final consumer a more competent buyer."

GEORGE W. HOPKINS,  
*Sales & Merchandising Service.*

**Training the Retail Clerk to Sell Your Product.** By Ruth Leigh. McGraw-Hill Book Co., New York, 1927. 244 pages. \$3.00.

In the midst of many books on salesmanship, "Training the Retail Clerk to Sell Your Product" has a definite place. Written with the avowed purpose of giving organized information on the subject of manufacturers' educational work among salespeople, it approaches the problem from the angle of the maker of a product who desires to increase his sales through the medium of better trained sales forces in the stores that handle his product.

The author, Miss Leigh, is well qualified to present this book. She was formerly Advertising Manager for Best and Co., New York, and is a contributor to many leading Sales and Advertising publications. She is well known through two former volumes, "Elements of Retail Selling" and "The Human Side of Retail Selling." *Printers Ink* recently recommended her as the leading authority on retail salesmanship.

Manufacturers today are not facing problems of manufacturing but problems of distribution. They are realizing increasingly the importance of having salespeople know their merchandise. In preparing to give this training, however, they are faced with two problems. First, the

mediocre quality of the help found in stores, and second, the frequent turnover of this help. Since the manufacturers cannot change these conditions, they must take them carefully into account.

Educational work conducted by manufacturers is not a new form of sales promotion but is one that is becoming more and more a specialized form of dealer cooperation. Many representative concerns have done this work with large success. Miss Leigh has studied a number of these intensively to secure the best examples. Constant references to some fifteen of them furnish a large amount of the illustrative material used in the book.

Miss Leigh discusses the technical information about the merchandise which the most successful educational material emphasizes, and illustrates the principles of retail selling with a number of vivid examples.

The major part of the book is devoted to a complete analysis of methods used by manufacturers to train salespeople. These are:

1. Training by means of the printed word.
2. Training by personal instruction.
3. Miscellaneous methods, such as house organs, motion pictures, exhibits, etc.

Taking a number of manufacturers who have used each method, their procedure is given in detail, and suggestions are offered on various phases of the work. Careful summaries of the advantages and disadvantages of these methods close the discussions. They are given with no attempt to recommend or to discourage the use of the plan.

In undertaking any plan for educational work a careful analysis of the manufacturer's specific problem is needed. The author suggests a number of practical questions to be considered. First is the question of what is to be accomplished. This might seem to be an elementary problem, and yet many companies fail to think clearly on this point. The nature of the

product, methods of distribution, various types of salespeople, the length of training period planned, the money available for the work, and enlistment of cooperation with the larger stores' training departments, all are worthy of careful consideration.

Perhaps the most important step in any manufacturer's educational work with dealers and salespeople is entering into it with the right attitude. If the manufacturer says to the dealer, in effect, "You know nothing about this, but we will teach you how," there will be resentment. But undertaken in the right spirit and carried forward in the right way, there is every reason for achieving success. The best proof of this is the ever-increasing number of concerns engaged in such work. And investigation has failed to reveal the name of one company that has discontinued educational work because of dissatisfaction with results.

Although designed primarily for the use of manufacturers, this book is full of practical suggestions for anyone planning educational work for salespeople.

NANCY WHITE,  
*Sales Manual Unit,*  
*Ward's Chain Stores.*

**Profitable Personnel Practice.** By Henry Bruère and Grace Pugh. Harper & Bros., New York, 1929. 454 pages. \$4.00.

The task of the personnel director is made easier if he has access to existing practice in other companies. This reference book gives actual company practice in dealing with such subjects as: employment; measures to increase the productivity of labor; enlisting employee co-operation; stabilizing operations and inducing long service; sharing ownership and profits; provision against risk; accident prevention and constructive safety work; protecting and improving health; vacations; organized recreation for employees; food for workers; the magazine for employees; mutual benefit associations; savings plans; and the use of psychology in personnel manage-

ment. A chapter is devoted to organizations supplying current information on industrial relations which will aid the personnel manager in keeping abreast of the times.

"A personnel program needs to be developed from the circumstances, habits, and prejudices of a particular institution." "Woe unto the business that intrusts its personnel work to a would-be Messiah. Confusion will result, for in addition to the wearisomeness of a sentimental approach to what is a matter-of-fact set of everyday human relations, the essential steps of good personnel management will in all probability be sacrificed to superficial gestures of one sort or another."

The comprehensive bibliography will supplement the actual cases given usually with the names of the companies.

---

**Why Stop Learning?** By Dorothy Canfield Fisher. Harcourt, Brace and Company, New York, 1927. 301 pages.

Adult education has come to be an accepted part of the whole American educational system and this book should be of definite interest to all interested in the question.

Such chapters as Correspondence Schools, University Extension, Workers' Education, Museums, A Glimpse or Two at What Other Countries Are Doing, will indicate how profitable a reading of the book may be to those who believe that American education still has progress to make.

---

**Great Britain From Adam Smith to the Present Day.** By C. R. Fay. Longmans, Green and Co., London and New York, 1928. 458 pages. \$3.75.

Most economic histories of Great Britain stop at the period following the so-called "Industrial Revolution," but this book covers the period from Adam Smith down to the end of the War.

Sections of the book deal with Trade and Transportation, Agriculture and In-

dustry, Life and Labor. There are interesting chapters on Reactions of Industrialism, Dogma and Revolt, the Organization of Labor, Friendly Societies and the Co-Operative Movement.

A section on British and American Labor Movements Compared is particularly interesting.

For any business men doing business in England, this is the most valuable document available to provide a general background of the British situation.

W. J. D.

---

**Our Times: America Finding Herself.** By Mark Sullivan. Scribner's, New York, 1927. 668 pages. \$5.00.

An interpretation of America by so penetrating and clever a writer must necessarily be of interest to the business man, especially when one discovers within it chapters on such questions as "From Old to New in Industry," "Oil," "Trusts," "Titans at War," "Crusade for Pure Food," "The Airplane Emerges."

---

**Accounting Reports in Business Management.** By Homer E. Gregory. Ronald Press, New York, 1928. 445 pages. \$5.00.

This volume is concerned with analyzing the balance sheet, from the profit and loss and other operating statements of a business from the internal or managerial point of view, and in general with the control of its finances and operations by means of various standards, measurements and records, including not only statement analysis, but such devices as standard costs and budgets. In addressing himself to this task, the writer has kept uppermost the interests of three groups: (1) comptrollers or head accountants, whose function it is to assemble and interpret all of the critical accounting and statistical facts of a business; (2) functional managers, who are held responsible for the carrying out of the operating and financial policies of

these concerns; and (3) corporate directors, who are charged with the responsibility of maintaining solvency, operating efficiency, and ultimate profit making of going concerns. This emphasis on the managerial-control approach tends to give a broader idea of the internal analysis of financial as well as operating statements.

---

**Handbook on Mail Order Selling and Merchandising.** By Ralph K. Wadsworth. Dartnell Corporation, Chicago, 1928. 233 pages. \$3.75.

"Handbook" is undoubtedly a good selling title for any book, but this one hardly lives up to the name. It is more of a treatise on mail order selling than a handbook. A good many chapters are taken complete from *Sales Management*, *Printers' Ink*, *Printers' Ink Monthly*, *Forbes Magazine* and *Advertising and Selling*.

The book undertakes to cover the main principles with enough detail to enable the reader to determine: 1. Whether the product or service is suitable for mail order selling. 2. How to go about it. 3. The essential details.

---

**Adult Learning.** By Edward L. Thorndike, Elsie O. Bregman, J. Warren Tilton and Ella Woodyard. The Macmillan Company, New York, 1928. 335 pages.

Whether or not adults decrease in ability to learn has a great deal of significance to management. It has a definite bearing on such questions as:

1. Can foremen be trained to train?
2. Can older workers be re-trained for continued employment?
3. Is there anything inevitable about older men, including executives, getting rusty through inability to learn and keep up-to-date?

Professor Thorndike and his associates have made a careful compilation of the facts regarding adult learning as reported in the general literature of psychology and education and, in addition, have made comparisons of adult and youthful learning,

recording all of the experiments which have been made on this important subject.

The book covers both the changes in the amount of learning and the changes in the nature of ability to learn from about age fifteen to age forty-five and especially from age twenty-five to age forty-five.

A probability is that the ablest man and the ordinary man show very nearly the same curve and that the decline of ability to learn begins little, if any, later in the highest one per cent of intellects than in the average man.

There is abundant evidence to prove that adults learn rapidly. The more significant conclusions are as follows:

1. The differences of rate in learning between old and young are small in comparison.
2. When other factors than age are equalized the comparison approaches zero.
3. The general adult ability to learn is very close to that of the late teens.

W. J. D.

---

**The Challenge of the Aged.** By Abraham Epstein. Vanguard Press. New York, 1928. 435 pages. \$3.00.

It is the usual fate of any book advocating a course of social action to be dealt with less on its merits than on the basis of preconceived ideas as to the merits or shortcomings of any policy under which the state undertakes to better the collective welfare of its citizens. Mr. Epstein attempts to make a case for state old age pensions. The reviewer can do no better than to let the book speak for itself since it offers factual evidence and makes no attempt to appeal to prejudice.

The facts as stated are as follows:

1. In the United States the number of aged persons has tended constantly to increase for many years.
2. The proportion of these aged persons who are employed or employable, has been declining and, because of the nature of modern productive processes, this decline is likely to persist in the future.



3. Such surveys as have been made indicate that 25 to 30 per cent of the population above age 65 have incomes insufficient to maintain themselves at a subsistence level. A substantial majority of these are supported by their families or charity.

4. Comparison of the wages of the past several years with the cost of various budgets set up for families of wage earners reveals that in most cases the wages afford scarcely a decency standard and that the typical wage earned cannot possibly lay by enough to insure his old age against want. The great growth of savings bank deposits in the past ten years has not, as some have alleged, been attributable to surplus incomes of wage earners but rather to the investing classes.

5. Existing schemes for old age insurance (a) cover but a minority of the gainfully occupied (taking into account industrial, railroad, governmental employees', teachers', ministers', trade union, military and fraternal schemes); (b) are so framed as to exclude those who change positions from time to time, i.e., the great majority of the gainfully occupied, and (c) are inadequately financed to meet even the small part of the burden which they do carry.

6. That relic of Elizabethan days, the poorhouse, is inadequate as a means of caring for the aged poor, is much more costly in proportion to service rendered than old age pensions, and demoralizes all those whom it touches.

7. The cost of an old age pension system granting \$1 per day, according to the usual present rate, to those who are obviously incapable of supporting themselves, would probably not be over 135 millions of dollars annually, and probably considerably less.

8. Official investigating commissions in seven of the ten states which have appointed such bodies recommended systems of old age pensions. Only one commission definitely opposed them.

9. State pension schemes are few in number and have had only a limited experience, but they do not seem to be bear-

ing out the contentions of those opposed to such legislation.

10. All the great industrial countries, except the United States, have experimented with various forms of old age protection on a national basis.

Mr. Epstein lists in detail the arguments for and against non-contributory and contributory state pensions. Most of the favorable arguments for state action are the facts summarized above. The chief arguments against compulsory contributory insurance are that it would require a complex and expensive administrative machinery and that it is "un-American," whatever that may mean. Against non-contributory pensions it is urged that they are expensive, are class legislation, that they would destroy the habit of thrift, and would open a vast field for political manipulation. Mr. Epstein, beyond advocating the adoption of some state policy, is rather non-committal. One gathers that he favors non-contributory pensions as the first step chiefly because it is the only feasible form of state aid for those in need in the immediate future.

Regardless of the interpretation placed upon them, most of Mr. Epstein's facts cannot be controverted. On certain points, however, the reviewer is not in full accord; for example, while it is true that most private schemes are on an unsound actuarial and financial basis, it is not probable that they will fail ultimately. The acceptance of this contrary view, however, by no means weakens the case for state action.

The fact is that the need for protection against old age dependency is great and that talk of cost, the breaking down of the habit of thrift, and political chicanery will never meet it; nor, it may be added, would further action along the lines of present voluntary pension plans offer a sufficient or final solution.

As students of old age dependency come more fully to recognize these needs and the problems involved, the most practicable courses of action for all agencies concerned will be developed. There are probably ap-

appropriate spheres for the state, employers, and charitable institutions.

MURRAY W. LATIMER,  
*Industrial Relations Counsellors, Inc.*

**The Bunkhouse Man.** By Edmund W. Bradwin, Columbia University Press, New York, 1928. 306 Pages. \$5.00.

"The Bunkhouse Man" is "a study of work and pay in the camps of Canada, 1903-1914," compiled from experience and observations made in camps as an actual worker, by its author Dr. Edmund W. Bradwin.

It is frankly a plea for the worker. The preface states (p.9) "The question that is uppermost is not whether the employer shall receive ample profits, but whether the worker in camps, under various pretexts, shall be deprived of his pay . . . it is to be noted at the outset that the matter herein contained is presented always from the point of view of the worker himself . . . from the standpoint of one, who, throughout many years, was himself an occupant of the bunkhouse and the shack . . . Wage conditions are viewed from the ground up, rather than from the top down."

Notwithstanding this attitude, the writer recognizes that there are other points of view, and that the employer, especially the sub-contractor, was often sorely beset, as well as the worker. A complementary study of the experience and conclusions of the employers might be of value.

That the writer does not take up in detail the view from "the top, down," marks the progress made in this kind of study since 1914, as a report of the kind, made in and for the later period, would probably survey both sides, and would take into account *both* the employers' "ample profits," and the workers' equitable pay. And this would be made possible by the wide acceptance, since 1914, of the conviction, and its resulting practice, that both are best served by mutual consideration. No mention is made in the study of any form, or even possibility, of employee repre-

sentation, the only method, sincerely used, of self-organized remedy for the industrial ills which the thesis ably and amply enumerates.

Subject to the foregoing observations, "The Bunkhouse Man" is a complete and informing report of labor conditions in the construction camps of Canada in the period of transcontinental railroad expansion from 1903 to 1914. It deals with the general contract, the sub-contract, the sub-contract re-let and on down the line of subdivision of construction to station work, delineating in detail, from facts observed at first hand, the hardships and inequities imposed upon the men at the bottom by the whole system, which virtually forced each interest to sweat the one below.

Starting with the employment agent, the course of the unskilled worker's treatment is traced through transportation to the job and in his working and living conditions. Housing, sanitation, medical care, or perhaps the lack of these necessities, are covered with an exactitude that could only have been obtained on the ground by a trained, sympathetic observer.

Tables are given showing the numerous charges and deductions from his pay which made the worker, in some cases, virtually a peon, and against which he had little or no defense. Such cases were especially true of inexperienced workers who had not learned how to protect themselves against the system.

The theme is treated also from the standpoint of the different races involved and the reaction upon them of the conditions in which they found themselves, and the probable effect of these reactions socially, politically and in the national fabric.

Practical remedial suggestions are given, such as assistance in transportation, monthly pay rates to avoid loss of time, payment in cash or its equivalent twice a month so that the worker can keep better track of his expenditures, and ample authority to be given to labor bureaus or commissioners to deal directly with maladjustments.

Some of these methods of betterment are

now well established, and much improvement in construction and logging camp conditions and industrial relations has been made in the years subsequent to the period of the book. The study has contemporary values for the correction of abuses similar to those which it recounts, which may linger on frontiers not yet reached by modern labor conditions.

An interesting feature of the book is its blending of every-day realism with scholarly allusions, particularly the historical comparisons which are sprinkled through it. While the book is inclined to be rhetorical and academic as compared with a straight business report, it is a decidedly interesting and valuable report of Canadian camp and frontier life and business methods for the period it reviews.

W. C. RUEGNITZ, *President,*  
*Loyal Legion of Loggers and Lumbermen.*

#### **The Construction of Index Numbers.**

By Warren Milton Persons. Houghton Mifflin, Boston, 1928. 90 pages. \$1.25.

Though the object of this little book is said to be that of averaging relatives to secure index numbers, it takes up in a manner more than incidental the problems of biases, tests, divergences and the many special difficulties both theoretical and practical, characteristic of the subject. It is a book which one who has pondered over these many questions can ill afford to refuse serious and detailed attention.

The author moves rapidly through disputed territories and, though succeeding in furnishing the reader much concrete material, leaves much to be proved.

Beginning with the consideration of weighted arithmetic, harmonic, and geometric means as the most desirable measures of average relations, we are led to the consideration of the weighting problem. At this point we are introduced to the author's concept of weight correlation bias. In fact, the examination of weights for the elimination of bias takes the form of a test overshadowing in importance

those already pointed out as vital in another work by Professor Fisher: the time (base) reversal test and the factor reversal test.

Dr. Persons examines geometric crosses of his three major classes of weighted means, so crossed as to eliminate weight correlation and base biases. Of the nine formulas so derived, the one previously designated by Fisher as the "ideal" is given detailed attention. This formula alone satisfies the "factor reversal" test, which the book takes occasion to minimize.

The "circular test" is held to be a generalization of the base reversal test and of such importance as to deprive the "ideal" formula of its ideality for failure to meet it. It is pointed out that fixed weight formulas are the only ones which can be made to meet the circular test.

The "ideal", conceded to be the best for binary comparisons, can be made to meet the circular test by substituting fixed for changing weights. The author treats briefly with the questions of "fields", the correspondence of p's and q's, the elimination of items which lose importance by the passage of time, and the difficulties of obtaining indexes over long periods.

After considering divergences of chain and fixed base indexes, the author decides that the best index number of prices or quantities for an intercomparison of three or more periods is the aggregative average with fixed weights based upon arithmetic mean quantities or prices respectively, for all periods covered.

On the whole, the book covers considerable ground in comparatively little space. It is challenging, thought provoking, and assertive. More effort could be spent on the exposition of the elimination of weight correlation bias and on the justification of the rejection of the factor reversal test.

It is a good book for those who are already familiar with the subject.

LEONARD KUVIN,  
*Index Number Institute.*